

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6470**

**BILL NUMBER:** SB 440

**NOTE PREPARED:** Dec 31, 2012

**BILL AMENDED:**

**SUBJECT:** Local Road Funding and Sales Tax on Gasoline.

**FIRST AUTHOR:** Sen. Skinner

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill provides that part of the Sales Tax collected on gasoline and special fuel is to be allocated to counties, cities, and towns for road and street projects. It specifies that the allocation is the tax on that part of the retail price, including federal fuel taxes and state fuel, sales, and use taxes, that exceeds \$3.

The bill provides that the money is to be distributed to counties, cities, and towns after each calendar quarter based on their proportionate share of local road and street mileage. It also specifies that amounts distributed may be used by counties, cities, and towns for the same purposes for which money from the Local Road and Street Account may be used.

**Effective Date:** July 1, 2013.

**Explanation of State Expenditures:** *Department of State Revenue (DOR)* - This bill could increase the DOR's administrative costs. The DOR would be required to determine the amount of Sales Tax revenue on gasoline and special fuel (diesel) sales that would be distributed to counties and notify the Auditor of State on a quarterly basis.

*Auditor of State* - This bill could also increase administrative costs of the Auditor of State, which would be required to determine suballocations to each county and the cities and towns within each county. The Auditor of State would distribute these amounts quarterly.

**Explanation of State Revenues:** The bill would reallocate a portion of Sales Tax revenue from sales of

gasoline and special fuel to counties, cities, and towns. The estimated revenue loss to the state is approximately \$50.4 M in FY 2014 and \$30.2 M in FY 2015. The table below shows the Sales Tax revenue forecast for the General Fund and the estimated impact of this bill on the General Fund.

<b>Fiscal Year</b>	<b>General Fund Revenue Forecast - Sales and Use Tax (in millions)</b>	<b>Estimated General Fund Impact (in millions)</b>
2014	\$7,114.700	-\$50.396
2015	7,434.200	-30.159

This estimate is based on the forecast average price per gallon of gasoline and historical gasoline sales information. In FY 2012, about 2.7 billion gallons of gasoline and special fuel were sold in Indiana. The forecast retail price of gasoline is \$3.27 per gallon in FY 2014 and \$3.16 per gallon in FY 2015, including state and federal taxes.

Under current statute, Sales Tax is distributed to the state General Fund (99.848%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%). In FY 2012, total Sales Tax revenue was about \$6.63 B.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Revenue to counties, cities, and towns is estimated to increase by a total of \$50.4 M in FY 2014 and \$30.2 M in FY 2015 (see *Explanation of State Revenues*). Allocations to each county, city, and town are based on each unit's proportionate share of local road and street mileage. Of the \$50.4 M in FY 2014, approximately \$39.3 M (78%) would be distributed to counties, and approximately \$11.1 M (22%) would be distributed to cities and towns.

[Note: The distribution formula contained within this bill is a new formula based solely on local road and street mileage. While not the same formula as that used for the Local Road and Street Account, the distributions to counties, cities, and towns may be used for the same purposes. These include construction, maintenance, and reconstruction of streets and roads, engineering, land acquisitions, and equipment.]

**State Agencies Affected:** Auditor of State; Department of State Revenue.

**Local Agencies Affected:** All counties, cities, and towns.

**Information Sources:** DOR Sales Tax return data; Global Insight forecast data; Revenue Technical Committee Forecast, December 17, 2012.

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